UNITED STATES DEPARTMENT OF ENERGY

Notice of Inquiry on Mandatory)
Electric Reliability Standards)

COMMENTS OF THE WILLIAMS COMPANIES

The Department of Energy ("DOE"), on November 20, 2000, issued a Notice of Inquiry seeking comments on whether to initiate a rulemaking for final action to the Federal Energy Regulatory Commission ("FERC" or "Commission") to impose mandatory electric reliability standards. The Williams Companies hereby submits its comments pursuant to the referenced DOE request for comments.

I.

COMMUNICATIONS AND CORRESPONDENCE

Williams requests that the following names be placed on the service list maintained for this proceeding by the Commission and that all correspondence and communications with respect to this proceeding be addressed to the following:

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II.

INTRODUCTION AND INTEREST OF WILLIAMS

Williams, through its subsidiaries, provides a full range of traditional and leading-edge energy and communications services and is one of the nation's largest-volume transporters of natural gas, a nationally-known marketer of electric power[1] and an owner of generation assets. Its wholly owned subsidiary, Williams Energy Marketing & Trading ("WEM&T"), is an electric power marketer subject to the Commission's jurisdiction under the Federal Power Act. WEM&T currently sells energy and ancillary services at wholesale pursuant to market-based rate authority granted by the Commission.[2] WEM&T, thus, has a direct and substantial interest in this proceeding which may culminate in an electric reliability rulemaking.

[1] WEM&T currently has operational control and/or ownership of approximately 9,000 MW of generating capacity in the United States.

[2] See Transco Power Trading, Docket No. ER95-305-000, Letter Order issued March 10, 1995 (accepting market-based rate schedule); Williams Power Trading Company, Docket No. ER95-305-001, Letter Order issued June 7, 1995 (accepting succession of Williams Power Trading Company); Williams Energy Services Company, Docket No. ER95-305-004, Letter Order issued January 19, 1996 (accepting succession of Williams Energy Services Company); Williams Energy Marketing & Trading Company, Docket No. ER99-615-000, Letter Order dated December 23, 1998 (accepting amendment to market-based rate schedule to include ancillary services); Williams Energy Marketing & Trading Company, Docket No. ER99-1722-000, Letter Order issued March 4, 1999 (accepting succession of Williams Energy Marketing & Trading Company); Williams Energy Marketing & Trading Company, Docket No. ER00-885-00, Letter Order issued January 21, 2000 (accepting amendment to market-based rate schedule to include resales of California ISO FTRs and reassignment of transmission capacity); Williams Energy Marketing & Trading Company, Docket No. ER00-2030-000, Letter Order issued May 18, 2000 (accepting amendment to market-based rate schedule to expand WEM&T's wholesale ancillary services authority); Williams Energy Marketing & Trading Company, Docket No. ER00-2996-000, Letter Order issued August 2, 2000 (accepting amendment to market-based rate schedule to expand WEM&T's wholesale ancillary services authority in California).

III.

THE WILLIAMS RESPONSE TO THE DOE NOI

Williams, while agreeing with the DOE that electric reliability in a restructured electric industry is a paramount concern, does not believe a DOE-initiated rulemaking for final action to the FERC to impose mandatory electric reliability standards represents the optimal solution to resolving reliability issues.

The Commission, in its 1999 Notice of Proposed Rulemaking concerning Regional Transmission Organizations ("RTOs"), observed that "…the traditional means of electric grid management [was] showing signs of strain and may be inadequate to support the efficient and **reliable** operation that is needed for the continued development of competitive electric markets."[3] Thus, presaging, by over two years, the DOE's instant proposed rulemaking to impose mandatory electric reliability standards, the Commission was acutely aware of the importance of the critical relationship between electric grid reliability and the development of competitive wholesale electric markets. Continuing, the Commission stated its belief that regional institutions are best positioned to address operational and reliability issues confronting the electric power industry.[4] Williams concurs.

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[3] See Regional Transmission Organizations, Notice of Proposed Rulemaking, 64 FR 31,390 at 31,391 (June 10, 1999), FERC Stats. & Regs. ¶ 32,541 at ¶ 32,542 (1999) (emphasis added).

[4] Id. at 31,391.

With the issuance of the landmark Order No. 2000[5], building upon both the achievements and the unfulfilled promise of its earlier Order 888[6], Williams was heartened to see the continued resolve of the Commission to further the process of restructuring wholesale electric markets; especially with respect to electric grid reliability. In this regard, Williams notes with particularity the attention the Commission devoted to short-term reliability (one of four minimum characteristics of an RTO) and interregional coordination (one of eight minimum functions of an RTO). Considered together, each RTO component, when fully realized, represents a realistic approach to dealing with both short and long-term electric reliability issues on a regional scale. Further, each when combined with certain other minimum attributes of an RTO, notably congestion management, parallel path flow protocols, ATC and TTC calculations, planning and expansion, and operational authority, represents not only a realistic approach to dealing with both short and long-term electric reliability issues, but also one which is both comprehensive in scope and internally consistent.

Citing a portion of the 1998 Final Report ("Report") of the Secretary of Energy Advisory Board's Task Force on Electric System Reliability, the DOE in its NOI, against the backdrop of an electric industry in transition, states, "…the new policies and institutions needed to assure electric reliability are not yet in place. Until such policies

[5] Order No. 2000, 65 Fed. Reg. 809, (2000), FERC Stats. & Regs. ¶ 31,089 (2000).

[6] See Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities and Recovery of Stranded Costs by Public Utilities and Transmitting Utilities, 61 Fed. Reg. 21,540 (1996), FERC Stats. & Reg. ¶ 31,036 (1996) (Order 888), order on reh'g, Order No. 888-A, 62 Fed. Reg. 12,274 (1997), FERC Stats. & Regs. ¶ 31,048 (1997), order on reh'g, Order No. 888-B, 62 Fed. Reg. 64,688, 81 FERC ¶ 61,248 (1997), order on reh'g, Order No. 888-C, 82 FERC ¶ 61,046 (1998), appeal docketed, Transmission Access Policy Study Group, et al. v. FERC, Nos. 97-1715 et al. (D.C. Cir.).

and institutions are in place, substantial parts of North America will be exposed to unacceptable risks."

While cognizant that such policies and institutions were not in place in 1998, Williams posits that with the issuance of the Commission's Order 2000 in late 1999, such policies and institutions are under development, albeit in the nascent stage, in the form of Regional Transmission Organizations. In consequence, the DOE's reliance upon the above-cited portion of the 1998 Report as the basis to promote the instant rulemaking is inappropriate. Williams is confident that in due course, complementing the tack charted by the Commission beginning with Order No. 888 and continuing today post-Order No. 2000, the Commission will, under the auspices of its RTO initiative, promote and ensure the long-term reliability of the interstate electric transmission system in the form of regional transmission organizations.

Put differently, Williams believes the singular objective of the DOE's proposed rulemaking, that is, ensuring the long-term reliability of the interstate electric transmission system, is precisely the same as, albeit far narrower than, the Commission's objective in its RTO initiative. In consequence, Williams does not believe a compelling exigent circumstance exists that would merit a parallel rulemaking at FERC[7]. In this regard, such a rulemaking would likely complicate and slow down the already well underway process of RTO formation.

[7] The summer 1999 blackouts and brownouts cited in the NOI are the direct result not of a lack of mandatory electric reliability standards but rather are the products of a regulatory environment that discouraged new investment in generation and transmission facilities.

Notwithstanding that Williams believes the Commission presently possesses, under the Federal Power Act[8], the requisite authority to establish standardized operating and administrative protocols aimed at effecting nationwide electric reliability standards, Williams is amenable to federal legislation amending the Federal Power Act to either explicitly permit FERC to assume NERC reliability responsibilities or to allow FERC the discretion to establish a reliability organization subject to Commission jurisdiction that would prescribe and enforce mandatory reliability standards. Additionally, Williams would like to see federal legislation granting the Commission eminent domain authority for both the siting of transmission lines and power plants as well as licensing authority for the latter.

Respectfully submitted,

By:______________________

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[8] Especially §§ 205 and 206, but also §20 (c) and §202(a).